

# ATTACHMENT 1

## **BOARD POLICY NO. 95-05C ACTUARIAL ASSET VALUATION METHOD**

STATE OF CALIFORNIA  
BOARD OF ADMINISTRATION  
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

RESOLUTION

No. 95-05C (Rev.)

Subject:     **Actuarial Policies - Actuarial Asset Valuation Method**

WHEREAS, On November 3, 1992, the people of the state of California passed Proposition 162, which amended Article XVI, section 17 of the California Constitution ("Section 17"), granting the CalPERS Board of Administration plenary authority and fiduciary responsibility for investment of moneys, providing for actuarial services, and administration of the Public Employees' Retirement System, the Judges' Retirement Systems, the Legislators' Retirement System, and the Volunteer Firefighters' Length of Service Award (collectively "the Systems").

WHEREAS, Section 17 requires the CalPERS Board to exercise its responsibility with respect to the Systems, subject to continuing fiduciary duties and specifies that the duty to participants and their beneficiaries takes precedence over any other duty.

WHEREAS, The provisions of Section 17 expressly supersede any contrary provision of law or the Constitution.

WHEREAS, In furtherance of its sole and exclusive duty to make actuarial determinations under Section 17, the CalPERS Board has hired a Chief Actuary to advise the Board and to direct the activities of the Board's professional actuarial staff.

WHEREAS, Also in furtherance of this sole and exclusive duty to make actuarial determinations, the CalPERS Board has retained the services of an outside consulting actuarial firm, to review the work of the Board's actuarial staff and to certify that such work satisfies professional actuarial standards.

WHEREAS, Both the CalPERS Board's Chief Actuary and its consulting actuary have advised the Board to adopt specific written policies regarding the actuarial practices that are most prudent for the Systems. Now therefore be it:

RESOLVED, (A) It is the policy of the CalPERS Board to utilize a professionally accepted smoothing technique in an effort to minimize substantial variations in employer contribution rates that result from wide swings, upward and downward, in the market value of assets.

RESOLVED, (B) That the actuarial value of assets shall recognize one fifteenth of the difference between the market value of assets and the expected actuarial value of assets.

RESOLVED, (CB) That, through its smoothing technique, the actuarial value of assets shall be limited to the corridor between 80% and 120% ~~90% and 110%~~ of market value.

RESOLVED, (DE) That, if the actuarial value of assets derived under this technique consistently falls either below or above the market value of assets for a period of five consecutive years, the Chief Actuary will bring this to the attention of the Board for its consideration.

RESOLVED, (ED) That any changes to the methods described above shall require Board approval.

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I hereby certify that on the 16<sup>th</sup> day of December, 1998 the Board of Administration of the California Public Employees' Retirement System, made and adopted the foregoing Resolution; and that this Resolution was amended on the 20<sup>th</sup> day of April, 2005.

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ROB FECKNER, PRESIDENT  
BOARD OF ADMINISTRATION, PUBLIC  
EMPLOYEES' RETIREMENT SYSTEM